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Connecticut State Medical Society Testimony in Opposition to

House Bill 6349 An Act Concerning the Sales tax on Services

Presented to the Finance, Revenue and Bonding Committee

February 9, 2009

Senator Daily, Representative Staples and members of the Finance, Revenue and Bonding Committee, on behalf of the more than 7,000 members of the Connecticut State Medical Society (CSMS) thank you for the opportunity to present this testimony to you today in opposition to **House Bill 6349 An Act Concerning the Sales Tax on Services**.

CSMS has been actively and aggressively working with legislators, policymakers, and other stakeholders to reform and strengthen the healthcare system in Connecticut. Our goal is to not only ensure that all Connecticut residents have access to necessary health care services, but to also ensure that physicians retain the ability to provide quality patient care and that Connecticut becomes an attractive place for physicians to practice. The implementation of a sales tax on medical services is not only a barrier to achieving this goal, but also unworkable and unmanageable within the context of the healthcare system in Connecticut.

In a 2006 study of the economic impact of physician offices in Connecticut commissioned by the CSMS, the Connecticut Economic Resource Center stated the following: "Through interviews and literature reviews this report identified a number of cost factors that are largely out of the control of the individual physicians that clearly have had and will continue to have a detrimental effect on the ability of the state to attract the best physicians and will require physicians to focus increasingly on administrative and management issues. These factors include:

- the escalating cost of malpractice insurance,
- the time commitment needed by doctors to address non-productive administrative issues,
- the cost of health care for their own staff, and
- the significant increases in the requirements of health insurance companies related to case documentation before physicians can be reimbursed for their services.

In summary, despite being the driving forces in a critical and dynamic industry in Connecticut, the state's physicians confront a set of challenges that have the potential to significantly impact their ability to provide the high quality of service Connecticut's population has come to expect."

Furthermore, the results of the CSMS2008 Workforce Survey identified that 47% of physicians reported increasing office hours and are spending increased amounts of time on the administration of their practices rather than providing hands on patient care. A tax on medical services will only exacerbate this problem and lead to more time dealing with administrative issues and less time on patient care.

The complexity of the administration and billing process in a physician's office is unparalleled by that in any other profession. Multiple payers, differing reimbursement levels for similar procedures, as well as varying copayment and deductible amounts create an accounting nightmare. Response to our 2008 Workforce Survey demonstrates that 32% of payments to physicians surveyed came from Medicare, 13% from Medicaid, 7% free care and the remainder in reimbursement from 3rd party payors. Little is received from uninsured patients. All of these payers use different platforms to establish reimbursement levels, procedures and processes for payments directly to the physician and indirectly through patients in the form of co-payments, coinsurance and deductibles. Currently, a Connecticut sales tax would cause physicians, insurers and other payers to amend adjudication systems, adding immeasurable expense to the healthcare system. Furthermore, certain state and federal programs presently prohibit physicians from billing recipients above allowable amounts, and this could extend to any associated tax.

In addition to being healthcare providers, physicians in Connecticut are by and larger small business with over 80% operating practices with fewer than 10 physicians and 60% in solo practice. The imposing of a new tax system would place an untenable burden on these small businesses. CSMS has strived to make Connecticut an attractive place for physicians. However, 19% of surveyed physicians indicated they are contemplating a career change and in certain counties over 90% reported that recruiting physicians is somewhat or very difficult.

Not only can physicians not afford the imposition of a new tax on medical services, but the health of Connecticut cannot afford it. Please oppose House Bill 6349.